Royce Swensen

From: Cheryl Hobbs <cherylh@payson.org>
Sent: Tuesday, January 4, 2022 1:18 PM
To: Royce Swensen
Subject: Sewer Impact Fee Increase
Attachments: Payson Sewer IFA Final 7-28-20.pdf

Hi Royce,

Just a reminder that the sewer impact fee increased to $2065.98 on January 1, 2022. Under our contract, we reduce the Elk Ridge impact fee by $300, so your 2022 impact fee will be $1765.98.

Attached is the Sewer Impact Fee Analysis. The fee table on page ES-3 shows what the fee will be for the next 6 years. It could change if we update the study before the end of the six years based upon the actual cost of the treatment plant update.

Please let me know if you need additional information

PAYSON UTAH

Cheryl Hobbs
Utility Billing Manager
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Payson 1765.98
Elk Ridge 897.61
2663.59

$ 2664.00

Sewer Impact Fee Analysis

July 2020

Prepared for:

PAYSON
EXPERIENCE THE MANY LAYERS

Prepared by:

BOWEN COLLINS & ASSOCIATES

SEWER IMPACT FEE ANALYSIS

July 2020

LICENSED PROFESSIONAL ENGINEER
21 July 2020
343787
KEITH J.
LARSON
STATE OF UTAH

Prepared for:

PAYSON
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Prepared by:

BOWEN COLLINS
& ASSOCIATES

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EXECUTIVE SUMMARY - IFA (SEWER)

INTRODUCTION

The purpose of the impact fee analysis (IFA) is to calculate the allowable impact fee that may be assessed to new development in accordance with Utah Code.

WHY ASSESS AN IMPACT FEE?

Until development utilizes the full capacity of existing facilities, the City can assess an impact fee to recover its cost of latent capacity available to serve future development. The general impact fee methodology divides the available capacity of existing and future capital projects between the number of existing and future users. Capacity is measured in terms of Equivalent Residential Units, or ERUs, which represents the demand that a typical single-family residence places on the system.

HOW ARE IMPACT FEES CALCULATED?

A fair impact fee is calculated by dividing the cost of existing and future facilities by the amount of new growth that will benefit from the unused capacity. Only the capacity that is needed to serve the projected growth within in the next ten years is included in the fee. Costs used in the calculation of impact fees include:

- New facilities required to maintain (but not exceed) the proposed level of service in the system; only those expected to be built within ten years are considered in the final calculations of the impact fee.
- Historic costs of existing facilities that will serve new development
- Cost of professional services for engineering, planning, and preparation of the impact fee facilities plan and impact fee analysis

Costs not used in the impact fee calculation

- Operational and maintenance costs
- Cost of facilities constructed beyond 10 years
- Cost associated with capacity not expected to be used within 10 years
- Cost of facilities funded by grants, developer contributions, or other funds which the City is not required to repay
- Cost of renovating or reconstructing facilities which do not provide new capacity or needed enhancement of services to serve future development

IMPACT FEE CALCULATION

Impact fees for this analysis were calculated by dividing the proportional cost of facilities required to service 10-year growth by the amount of growth expected over the next 10-years based on ERUs. This is done for both collection and treatment facilities. Calculated impact fees by component are summarized in Table ES-1. Table ES-1 covers the cost of impacts on collection and treatment facilities from growth within the Payson City service area.

Table ES-1
Impact Fee Calculation per ERU – Payson City Service Area

System Components	Total Cost of Component	% Serving 10-year Growth	Cost Serving 10-year Growth	10-year ERUs Served	Cost Per ERU
Collection Facilities					
Existing Facilities – Pipelines	$8,665,906	5.3%	$458,726	2,777	$165.19
Existing Facility Interest Costs - Pipelines	$415,277	5.3%	$21,982	2,777	$7.92
Existing Facilities – Lift Station	$362,731	16.7%	$60,467	2,777	$21.77
Existing Facility Interest Costs – Lift Station	$0	16.7%	$0	2,777	$0.00
10-year Projects	$18,375,000	8.3%	$1,523,255	2,777	$548.53
10-Year Project Interest Costs	$934,146	9.6%	$89,678	2,777	$32.29
Credit for User Fees Paid Toward Existing					-$164.35
Subtotal	**$28,753,059**		**$2,154,109**		**$611.35**
Treatment Plant					
Existing Facilities	$9,972,608	18.7%	$1,861,886	2,777	$670.47
Existing Facility Interest Costs	$1,081,145	18.7%	$201,850	2,777	$72.69
10-year Projects	$12,476,138	18.7%	$2,329,295	2,777	$838.78
10-Year Project Interest Costs	$7,546,214	18.7%	$1,411,142	2,777	$508.15
Credit for User Fees Paid Toward Existing					-$933.78
Subtotal	**$31,076,104**		**$5,804,173**		**$1,156.31**
Studies					
Master Plans and Impact Fee Studies	$125,132	67.8%	$84,806	1,523	$55.68
TOTAL	**$59,954,296**		**$8,043,087**		**$1,823.34**

RECOMMENDED IMPACT FEE

The total calculated impact fees are summarized in Table ES-2. Included in this table is the appropriate user fee credit and corresponding overall fee. The calculated user fee credit associated with the impact fees will decrease over time. As a result, the allowable impact fee will increase over time as shown in the table. This is the legal maximum amount that may be charged as an impact fee. A lower amount may be adopted if desired, but a higher fee is not allowable under the requirements of Utah Code.

Table ES-2
Recommended Per ERU Impact Fee – Payson City Service Area

	Maximum Allowable Impact Fee (Per ERU, by year)					
	2020	**2021**	**2022**	**2023**	**2024**	**2025**
Base Impact Fee	$2,921.46	$2,921.46	$2,921.46	$2,921.46	$2,921.46	$2,921.46
User Fee Credit	-$1,098.13	-$973.35	-$855.49	-$744.02	-$668.62	-$597.23
Total Overall Fee	**$1,823.34**	**$1,948.11**	**$2,065.98**	**$2,177.45**	**$2,252.85**	**$2,324.23**

IMPACT FEE ANALYSIS (SEWER)

INTRODUCTION

Payson City has retained Bowen Collins & Associates (BC&A) to prepare an impact fee analysis (IFA) for its sewer system based on a recently completed impact fee facilities plan. An impact fee is a one-time fee, not a tax, imposed upon new development activity as a condition of development approval to mitigate the impact of the new development on public infrastructure. The purpose of an IFA is to calculate the allowable impact fee that may be assessed to new development in accordance with Utah Code.

Service Areas

For the purpose of impact fee calculations, the Payson City sewer system includes the Payson City corporate boundary, Woodland Hills, and Elk Ridge.

Requirements

Requirements for the preparation of an IFA are outlined in Title 11, Chapter 36a of the Utah Code (the Impact Fees Act). Under these requirements, an IFA shall accomplish the following for each facility:

1. Identify the impact of anticipated development activity on existing capacity
2. Identify the impact of anticipated development activity on system improvements required to maintain the established level of service
3. Demonstrate how the impacts are reasonably related to anticipated development activity
4. Estimate the proportionate share of:
    a. Costs of existing capacity that will be recouped
    b. Costs of impacts on system improvements that are reasonably related to the new development activity
5. Identify how the impact fee was calculated
6. Consider the following additional issues
    a. Manner of financing improvements
    b. Dedication of system improvements
    c. Extraordinary costs in servicing newly developed properties
    d. Time-price differential

The following sections of this report have been organized to address each of these requirements.

IMPACT ON SYSTEM - 11-36A-304(1)(A)(B)

Growth within the City's service area, and projections of sewer flows resulting from said growth is discussed in detail in the City's Impact Fee Facilities Plan. For the purposes of impact fee calculation, growth in the system has been expressed in terms of equivalent residential units (ERUs). An ERU represents the demand that a typical single-family residence places on the system. Growth in ERUs projected for the service area is summarized in Table 1.

Table 1
Projected Payson Sewer System Growth – Flow ERUs

Year	Service Area ERUs	Estimated Dry Weather Sewer Flows (MGD)	Estimated Peak Hour, Dry Weather Sewer Flows (MGD)
2019	8,865	1.84	3.55
2030	11,642	2.40	4.64
2040	15,826	3.24	6.29
2050	22,491	4.59	8.92
Buildout	37,443	7.59	14.80

As indicated in the table, projected growth for the 10-year planning window[1] of this impact fee analysis is 2,777 ERUs. In order to maintain the established level of service, projected future growth will be met through a combination of available excess capacity in existing facilities and construction of additional capacity in new facilities. Use of excess capacity and required system improvements are detailed in the Impact Fee Facilities Plan.

RELATION OF IMPACTS TO ANTICIPATED DEVELOPMENT - 11-36A-304(1)(C)

To satisfy the requirements of state law, it is necessary to show that all impacts identified in the impact fee analysis are reasonably related to the anticipated development activity. This has been documented in detail in Impact Fee Facilities Plan. In short, only that capacity directly associated with demand placed upon existing system facilities by future development has been identified as an impact of the development. The steps completed to identify the impacts of anticipated development are as follows.

1. **Existing Demand** – The demand existing development places on the system was estimated based on historic water use and flow records.
2. **Existing Capacity** – The capacities of existing collection system facilities were estimated using size data provided by the City and a hydraulic computer model.
3. **Existing Deficiencies** – Existing deficiencies in the system were looked for by comparing defined levels of service against calculated capacities. A few deficiencies were identified in the Sewer Master Plan.
4. **Future Demand** - The demand future development will place on the system was estimated based on development projections as discussed in the Impact Fee Facilities Plan.
5. **Future Deficiencies** – Future deficiencies in the collection system (portions of the system that are inadequate to accommodate the demand created by future growth) were identified using the defined level of service and results from a hydraulic computer model (discussed in

[1] As a starting point for existing conditions, this report uses 2019, the most recent year for which information is available. The term 10-year growth will be used in this report to refer to growth through 2030, even though the window from 2019 to 2030 is technically 11 years, This has been done to be consistent with the Sewer Master Plan results and to avoid confusion as the publication date of this report is in 2020.

the Sewer Master Plan).

6. **Recommended Improvements** – Needed system improvements were identified to meet demands associated with future development

Proportionate Share Analysis – 11 – 36A-304(D)

A comprehensive proportionate share analysis associated with anticipated future development and its impact on the system was completed as part of the Impact Fee Facilities Plan. A summary of that analysis is contained here with additional discussion of the costs of facilities impacted by growth.

Excess Capacity to Accommodate Future Growth

Projected future growth will be met through a combination of available excess capacity in existing facilities and construction of additional capacity in new facilities. Defining existing system capacity in terms of a single number is difficult. To improve the accuracy of the analysis, the system was divided into two different components (collection and treatment). Excess capacity in each component of the system is summarized in Table 2.

Table 2
Use of Existing Capacity

Use Category	Collection System Percent Use	Lift Station Percent Use	Treatment Percent Use
Existing Use	61.87%	11.11%	61.33%
Use By 10-Year Growth	5.29%	16.67%	18.67%
Use By Growth Beyond 10 years	32.84%	72.22%	20.00%
Total	100.00%	100.00%	100.00%

Existing System Infrastructure Costs

To calculate the actual cost of excess capacity in the existing system, BC&A first looked at the actual cost of all existing facilities. Table 3 lists the actual construction costs of existing components of the City's wastewater system. These are not depreciated replacement costs, but the actual cost of existing city infrastructure at the time of construction. Appendix A shows a detailed breakdown of these projects and their associated costs. These costs were estimated from the City's asset depreciation schedule.

Table 3
Existing Infrastructure Costs

	Collection	Lift Station	Treatment
Existing Infrastructure Costs	$8,665,906	$422,731	$12,823,983

In this study, public facility costs already incurred by the City will be included in the impact fee only to the extent that new growth will be served by the previously constructed improvements. Since there are multiple future improvements to the wastewater treatment plant that are replacing some existing treatment plant components with new treatment plant components, it is important to remove the actual cost of the infrastructure to be replaced from the total in Table 3.

Unfortunately, the historic records for treatment plant improvements do not include enough detail to exactly match historic asset cost with future asset replacement. As a result, the historic costs of the components that are being replaced were estimated by considering the current cost of replacement and the age of the originally installed assets at the treatment plant. The cost of the components that are being replaced by future improvements was calculated to be $9.5 million in 2019 dollars. Based on information provided by the City, these components were originally installed at the treatment plant between the year 1965 (when the plant was first built) and 1984. If the cost of the components to be replaced are adjusted to dollars in the year of their construction, the actual cost of these components is estimated to be $2.9 million. This should be removed the total existing infrastructure costs. Table 4 summarizes the remaining recoverable existing infrastructure costs.

Table 4
Recoverable Existing Infrastructure Costs

	Collection	Lift Station	Treatment
Existing Infrastructure Costs	$8,665,906	$362,731	$9,972,608

Reimbursement Agreements

The City recently entered into a reimbursement agreement for system improvements to the South Haven Farms development. The City's portion of costs associated with this agreement have been incorporated in the existing collection system infrastructure costs.

Future Improvements

In additional to using available existing capacity, demand associated with projected future development will be met through the construction of additional capacity in new facilities. A primary focus of the Impact Fee Facilities Plan was the identification of projects required to serve new development. The results of the Impact Fee Facilities Plan are summarized in Table 5. Included in the table are the costs of each required project and the portion of costs associated with development for the 10-year planning window. All cost estimates contained in this IFA have been taken directly from the IFFP. The basis of these estimates is documented in the IFFP.

Table 5
Impact Fee Eligible Capital Projects

Project ID	Year	Project	Total Project Cost	Percent to 10-Year Growth	Cost to 10-Year Growth
Collection System Projects					
1	2019	2019 Sewer Trunkline Replacement	$2,518,000	9.6%	$242,115
2	2020	I-15 East, 400 North to Utah Avenue	$1,327,000	0.3%	$3,791
11	2021	Lift Station 1	$2,300,000	7.0%	$160,064
11.1	2021	Lift Station 1 Gravity	$3,692,000	7.0%	$256,938
11.2	2021	Lift Station 1 Pressure Force Main	$1,350,000	7.0%	$93,951
14	2025	Lift Station 4	$2,645,000	10.7%	$282,014
14.1	2025	Lift Station 4 Gravity	$2,256,000	10.7%	$240,538
14.2	2025	Lift Station 4 Pressure Force Main	$2,287,000	10.7%	$243,843
		Subtotal	**$18,375,000**		**$1,523,255**
Treatment Plant Projects					
TP1	2020	Site Work and Yard Piping	$441,600	18.7%	$82,447
TP2	2020	Plant Repairs	$207,000	18.7%	$38,647
TP3	2020	Demolition	$130,410	18.7%	$24,348
TP4	2020	Aerobic Basin	$2,152,800	18.7%	$401,928
TP5	2020	Primary Clarifier	$1,538,700	18.7%	$287,275
TP6	2020	Final Clarifier	$1,587,000	18.7%	$296,293
TP7	2020	Solids Handling	$496,800	18.7%	$92,753
TP8	2020	Chemical Storage	$433,872	18.7%	$81,004
TP9	2020	UV Basin	$1,821,600	18.7%	$340,093
TP10	2020	Reuse Pump Station Remodel	$151,800	18.7%	$28,341
TP11	2020	Filter Building	$910,800	18.7%	$170,046
TP12	2020	Convert Anaerobic Digester to Aerobic Eq Tanks	$524,400	18.7%	$97,905
TP13	2020	Electrical	$2,079,356	18.7%	$388,216
		Subtotal	**$12,476,138**		**$2,329,295**
		Total	**$30,851,138**		**$3,852,550**

IMPACT FEE CALCULATION - 11-36A-304(1)(E)

Using the information contained in the previous sections, impact fees can be calculated by dividing the proportional cost of facilities required to service 10-year growth by the amount of growth expected over the next 10-years. Calculated impact fees by component are summarized in Table 6 for Payson City.

Table 6
Impact Fee Calculation per ERU – Payson City Service Area

System Components	Total Cost of Component	% Serving 10-year Growth	Cost Serving 10-year Growth	10-year ERUs Served	Cost Per ERU
Collection Facilities					
Existing Facilities – Pipelines	$8,665,906	5.3%	$458,726	2,777	$165.19
Existing Facility Interest Costs - Pipelines	$415,277	5.3%	$21,982	2,777	$7.92
Existing Facilities – Lift Station	$362,731	16.7%	$60,467	2,777	$21.77
Existing Facility Interest Costs – Lift Station	$0	16.7%	$0	2,777	$0.00
10-year Projects	$18,375,000	8.3%	$1,523,255	2,777	$548.53
10-Year Project Interest Costs	$934,146	9.6%	$89,678	2,777	$32.29
Credit for User Fees Paid Toward Existing					-$164.35
Subtotal	**$28,753,059**		**$2,154,109**		**$611.35**
Treatment Plant					
Existing Facilities	$9,972,608	18.7%	$1,861,886	2,777	$670.47
Existing Facility Interest Costs	$1,081,145	18.7%	$201,850	2,777	$72.69
10-year Projects	$12,476,138	18.7%	$2,329,295	2,777	$838.78
10-Year Project Interest Costs	$7,546,214	18.7%	$1,411,142	2,777	$508.15
Credit for User Fees Paid Toward Existing					-$933.78
Subtotal	**$31,076,104**		**$5,804,173**		**$1,156.31**
TOTAL	**$59,829,164**		**$7,958,281**		**$1,767.66**

Bonding Interest Costs

In addition to construction costs, Table 6 includes the cost of bond interest expense where applicable. This includes both historic interest costs on existing facilities where new growth will benefit from excess capacity and future interest costs for bonds required to build projects needed for growth as identified in the Impact Fee Facilities Plan. Similar to project construction costs, only that portion of interest expense associated with capacity for growth is included in the impact fee calculation. In the case of the Payson City wastewater system, the following bonds were included in the study:

- 2010 Treatment Bond (Refunded in 2016) – This bond was a refunding of a previous bond used for improvements to the City's wastewater treatment plant. The City started payments on this bond in the year 2011. The beginning bond balance was $5,301,000. This bond was included in the table above under the Treatment Plant Existing Facility Interest Costs category. Costs shown are actual costs that have been or will be incurred in association with this bond.
- 2014 Collection System Bond (Refunded in 2016) – This bond was used for improvements to the City's sewer collection system. The main project that this bond was used for was the East Side Sewer Trunkline project. The City started payments on this bond in the year 2015. The beginning bond balance was $3,315,000. This bond was included in the table above under the Collection Facilities Existing Facility Interest Costs category. Costs shown are actual costs that have been or will be incurred in association with this bond.

- 2019 Sewer Trunk Line Replacement Project Bond – This bond was acquired by Payson City in the year 2019 and used for the 2019 Sewer Trunk Line Replacement Project, which was designed and built in 2019. This bond was included in the table above under the Collection Facilities 10-Year Project Interest Costs category, because this project was a recommended project in the 2019 Sewer Master Plan and the construction of this project was still occurring through the end of the year of 2019. Allocation of 10-year costs is based on the calculated use of capacity in the specific section of pipe replaced as part of this project. As a result, it is slightly different than the calculated use of capacity for all 10-year projects as a whole (9.6% vs. 8.3%). Costs shown are actual costs that have been or will be incurred in association with this bond.
- Future Treatment Bond – This bond is a recommended bond that the City would use for the recommended $12,476,138 treatment plant improvements. Based on guidance from the City, it is expected that his bond will be issued in 2020 and would be a 20-year bond at 5% interest. This brings the total bond payment to $20,022,352. This bond was included in the table above under the Treatment Plant 10-Year Project Interest Costs category.

Credit for User Fees

As currently structured, future users will pay for their portion of capacity via impact fees. They cannot also be expected to pay through user rates the portion of future bonds that will be used to build capacity for existing users. This creates the need for a credit for future users. Calculation of this credit is summarized in Table 7 and Table 8. These tables include the following information:

- **Existing Portion of Loan Paid Through User Fees** – This represents the total amount paid each year by the City toward the portion of any loans used to build capacity for existing users.
- **Cost Per ERU** – This column takes the total amount paid and divides it by the number of ERUs projected for each year. This represents the amount paid in each year by each ERU.
- **Present Value Cost per ERU** – This column takes into account the time value of money assuming a rate of return of 3 percent annually.
- **Total User Fee Credit** – At the bottom of the table, the present value costs for all future years are added together to develop the total user fee credit.

It will be noted that, because the user fee credit is the summation of user fees paid toward existing deficiencies in each year, a new user who joins the system in five or ten years will pay less in total user fees than someone who joins the system next year. Thus, the user fee credit will decrease over time. The appropriate user fee can be calculated by adding the present value cost for all years subsequent to a new user's connection to the system.

Table 7
Credit for User Fees Paid Toward Existing – Payson City Treatment

Year	Payson ERUs	Existing Capacity Portion of Loans Paid Through User Fees*	Cost Per ERU	Present Value Cost Per ERU
2020	9,131	$938,912	$102.82	$102.82
2021	9,383	$938,728	$100.05	$97.14
2022	9,634	$938,360	$97.40	$91.81
2023	9,885	$613,985	$62.11	$56.84
2024	10,137	$613,985	$60.57	$53.82
2025	10,388	$613,985	$59.11	$50.99
2026	10,639	$613,985	$57.71	$48.33
2027	10,891	$613,985	$56.38	$45.84
2028	11,142	$613,985	$55.11	$43.50
2029	11,393	$613,985	$53.89	$41.30
2030	11,642	$613,985	$52.74	$39.24
2031	12,063	$613,985	$50.90	$36.77
2032	12,481	$613,985	$49.19	$34.50
2033	12,900	$613,985	$47.60	$32.41
2034	13,318	$613,985	$46.10	$30.48
2035	13,737	$613,985	$44.70	$28.69
2036	14,155	$613,985	$43.38	$27.03
2037	14,574	$613,985	$42.13	$25.49
2038	14,992	$613,985	$40.95	$24.06
2039	15,411	$613,985	$39.84	$22.72
2040	15,826	$0	$0.00	$0.00
			Total User Fee Credit	**$933.78**

*The 2010 Treatment Bond (Refunded in 2016) and the Future Treatment Bond are included.

Table 8
Credit for User Fees Paid Toward Existing – Payson City Collection System

Year	Payson ERUs	Existing Capacity Portion of Loans Paid Through User Fees*	Cost Per ERU	Present Value Cost Per ERU
2020	9,131	$200,419	$21.95	$21.95
2021	9,383	$200,368	$21.36	$20.73
2022	9,634	$200,928	$20.86	$19.66
2023	9,885	$200,443	$20.28	$18.56
2024	10,137	$200,419	$19.77	$17.57
2025	10,388	$201,239	$19.37	$16.71
2026	10,639	$201,010	$18.89	$15.82
2027	10,891	$201,080	$18.46	$15.01
2028	11,142	$132,770	$11.92	$9.41
2029	11,393	$132,770	$11.65	$8.93
2030	11,642	$0	$0.00	$0.00
2031	12,063	$0	$0.00	$0.00
2032	12,481	$0	$0.00	$0.00
2033	12,900	$0	$0.00	$0.00
2034	13,318	$0	$0.00	$0.00
2035	13,737	$0	$0.00	$0.00
2036	14,155	$0	$0.00	$0.00
2037	14,574	$0	$0.00	$0.00
2038	14,992	$0	$0.00	$0.00
2039	15,411	$0	$0.00	$0.00
2040	15,826	$0	$0.00	$0.00
			Total User Fee Credit	**$164.35**

*The 2014 Collection System Bond (Refunded in 2016) and the 2019 Sewer Trunk Line Replacement Project Bond are included.

Planning and Impact Fee Studies

Utah Code allows for the cost of planning and engineering associated with impact fee calculations to be recovered as part of an impact fee. The final impact fee will need to include the portion of cost associated with new growth in conjunction with studies completed for this planning period. Calculated allowable planning costs are summarized in Table 9. These costs have been based solely on actual costs for planning studies completed. Included in the table is the calculated portion of each planning effort dedicated to planning for future growth (based on estimated hours spent) and the number of ERUs served during the expected useful life of the planning document (five years).

Table 9
Impact Fee Costs Associated with Studies per ERU

Planning Document	Total Cost of Planning	% Plan Associated with Growth	Cost Associated with Growth	ERUs Served	Cost Per ERU
2019 Sewer Master Plan	$35,367	63.46%	$22,444	1,523	$14.74
2019 Sewer Impact Fee Facility Plan and Impact Fee Analysis	$14,765	100.00%	$14,765	1,523	$9.69
2020 Treatment Plant Facility Plan Study	$75,000	63.46%	$47,596	1,523	$31.25
Subtotal	**$125,132**		**$84,806**		**$55.68**

Recommended Impact Fee

The total calculated impact fees are summarized in Table 10. Included in this table is the appropriate user fee credit and corresponding overall fee. This is the legal maximum amount that may be charged as an impact fee. A lower amount may be adopted if desired, but a higher fee is not allowable under the requirements of Utah Code.

Table 10
Recommended Per ERU Impact Fee – Payson City Service Area

	Maximum Allowable Impact Fee (Per ERU, by year)					
	2020	2021	2022	2023	2024	2025
Base Impact Fee (includes study costs)	$2,921.46	$2,921.46	$2,921.46	$2,921.46	$2,921.46	$2,921.46
User Fee Credit	-$1,098.13	-$973.35	-$855.49	-$744.02	-$668.62	-$597.23
Total Overall Fee	**$1,823.34**	**$1,948.11**	**$2,065.98**	**$2,177.45**	**$2,252.85**	**$2,324.23**

As discussed previously, the calculated user fee credit associated with the impact fees will decrease over time. As a result, the allowable impact fee will increase over time as shown in the table. Impact fees beyond 2025 can be calculated by reducing the user fee credit by the amount shown for each successive year in the credit calculation tables.

Calculation of Non-Standard Impact Fees

The calculations above have been based on an ERU. The Impact Fee Enactment should include a provision that allows for calculation of a fee for customers other than typical residential connections. Consistent with the level of service standards established in the Impact Fee Facilities Plan, the following formula may be used to calculate an impact fee for a non-standard user based on the calculated daily indoor water use for an average residential connection.

$$\frac{Estimated\ Indoor\ Water\ Use}{194.4\ gallons\ per\ day^{2}} X\ Impact\ Fee\ per\ ERU = Impact\ Fee$$

Calculation all non-standard impact fees should be completed by City personnel using the formula above based on information regarding water use as provided for each non-standard use. This approach will be used for all commercial and industrial development.

ADDITIONAL CONSIDERATIONS - 11-36A-304(2)

MANNER OF FINANCING - 11-36A-304(2)(A-E)

As part of this Impact Fee Analysis, it is important to consider how each facility has been or will be paid for. Potential infrastructure funding includes a combination of different revenue sources.

User Charges

Because infrastructure must generally be built ahead of growth, there often arises situations in which projects must be funded ahead of expected impact fee revenues. In some cases, the solution to this issue will be bonding. In others, funds from existing user rate revenue will be loaned to the impact fee fund to complete initial construction of the project and will be reimbursed later as impact fees are received. Interfund loans should be considered in subsequent accounting of impact fee expenditures.

Special Assessments

Where special assessments exist, the impact fee calculation must take into account funds contributed. No special assessments currently exist in the Payson City wastewater system.

Pioneering Agreements

Where pioneering agreements exist, the impact fee calculation must take into account payback requirements under each pioneering agreement. The city currently has one pioneering agreement with the Villages on Arrowhead Road.

Bonds

None of the costs contained in the IFFP included bonding. Where City financial plans identify bonding will be required to finance impact fee eligible improvements, the portion of bond cost and interest expense attributable to future growth has been added to the calculation of the impact fee. In the case of Payson, bonding is planned for the upcoming major upgrades to the sewer treatment plant.

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[2] Based on average domestic wastewater of 175.0 gpd/ERU entering the wastewater collection system and 10 percent consumption, consistent with previous calculations.

General Taxes

If taxes are used to pay for infrastructure, they should be accounted for in the impact fee calculation. Specifically, any contribution made by property owners through taxes should be credited toward their available capacity in the system. In this case, no taxes are proposed for the construction of infrastructure.

Federal and State Grants and Donations

Impact fees cannot reimburse costs funded or expected to be funded through federal grants and other funds that the City has received for capital improvements without an obligation to repay. Grants and donations are not currently contemplated in this analysis. If grants become available for constructing facilities, impact fees will need to be recalculated and an appropriate credit given. Any existing infrastructure funded through past grants has been removed from the system cost.

DEDICATION OF SYSTEM IMPROVEMENTS - 11-36A-304(2)(F)

Developer exactions are not the same as grants. If a developer constructs a system improvement or dedicates land for a system improvement identified in this IFFP, or dedicates a public facility that is recognized to reduce the need for a system improvement, the developer may be entitled to an appropriate credit against that particular developer's impact fee liability or a proportionate reimbursement.

If the value of the credit is less than the development's impact fee liability, the developer will owe the balance of the liability to the City. If the recognized value of the improvements/land dedicated is more than the development's impact fee liability, the City may be required to reimburse the difference to the developer.

It should be emphasized that the concept of impact fee credits pertains to system level improvements only. Developers will be responsible for the construction of project improvements (i.e. improvements not identified in the impact fee facilities plan) without credit against the impact fee.

EXTRAORDINARY COSTS - 11-36A-304(2)(G)

The Impact Fees Act indicates the analysis should include consideration of any extraordinary costs of servicing newly developed properties. In cases where one area of potential growth may cost significantly more to service than other growth, a separate service area may be warranted. No areas with extraordinary costs have been identified as part of this analysis.

TIME-PRICE DIFFERENTIAL - 11-36A-304(2)(H)

Utah Code allows consideration of time-price differential in order to create fairness for amounts paid at different times. To address time-price differential, this analysis includes a conversion to present value cost for future expenditures. In the case of future construction costs, it has been assumed that the return rate on investment will be roughly equivalent to construction inflation and current construction estimates have been used in the calculation of impact fees. Per the requirements of the Code, existing infrastructure cost is based on actual historical costs without adjustment.

IMPACT FEE CERTIFICATION - 11-36A-306(2)

This report has been prepared in accordance with Utah Code Title 11, Chapter 36a (the "Impact Fees Act"), which prescribes the laws pertaining to the imposition of impact fees in Utah. The accuracy of this IFFP relies in part upon planning, engineering, and other source data, provided by the City and its designees.

In accordance with Utah Code Annotated, 11-36a-306(2), Bowen Collins & Associates makes the following certification:

I certify that the attached impact fee analysis:

1. Includes only the costs of public facilities that are:
    a. allowed under the Impact Fees Act; and
    b. actually incurred; or
    c. projected to be incurred or encumbered within six years after the day on which each impact fee is paid;
2. Does not include:
    a. costs of operation and maintenance of public facilities;
    b. costs of qualifying public facilities that will raise the level of service for the facilities, through impact fees, above the level of service that is supported by existing residents; or
    c. an expense for overhead, unless the expense is calculated pursuant to a methodology that is consistent with generally accepted cost accounting practices and the methodological standards set forth by the federal Office of Management and Budget for federal grant reimbursement; and
3. Complies in each and every relevant respect with the Impact Fees Act.

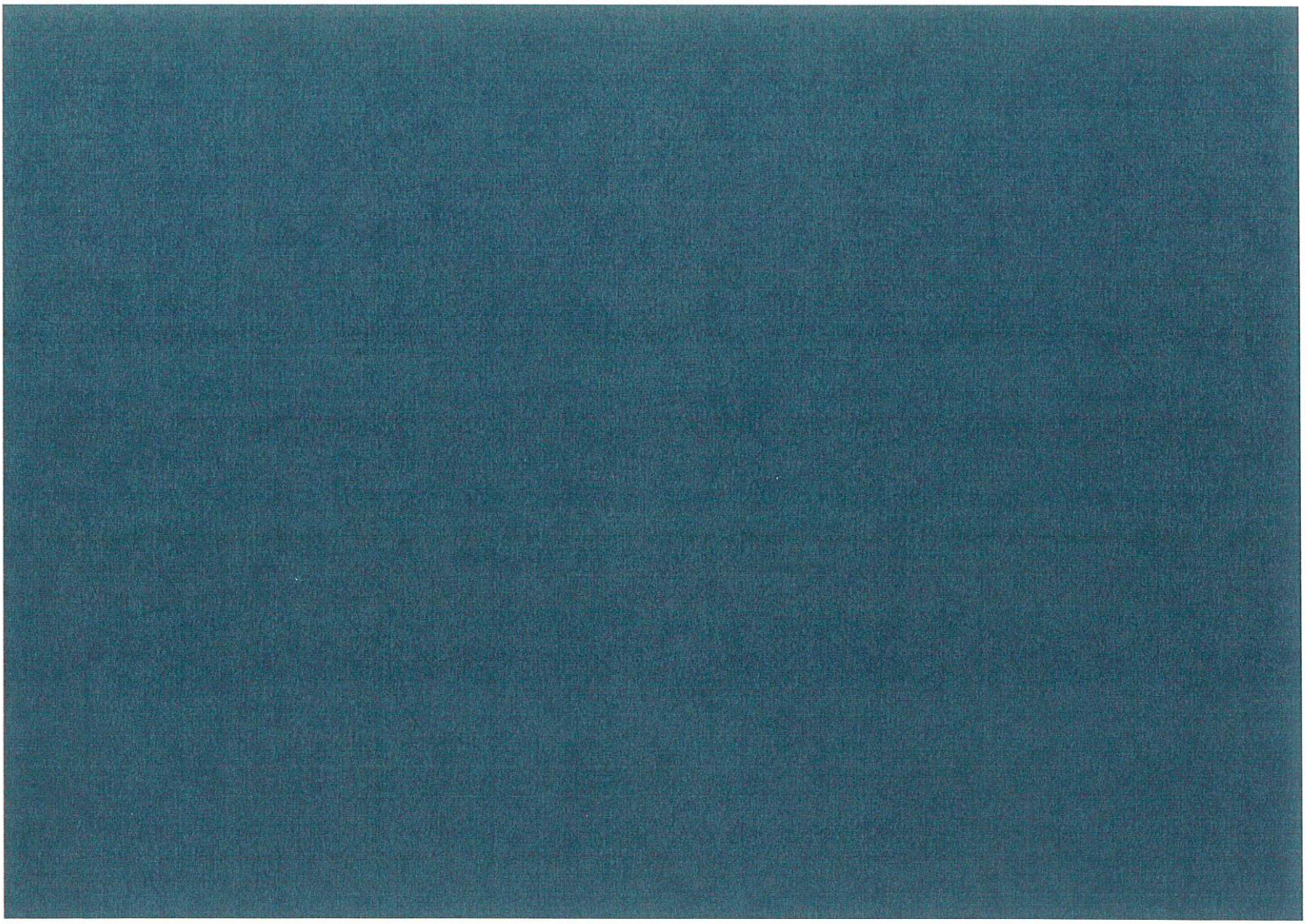
Keith J. Larson, P.E.

APPENDIX A
EXISTING ASSETS

Project Name	Project Cost	Project Type	Impact Fee Eligibility	Project Level
Building	$13,199.00	Collection	Eligible	System
East Side Lift Station	$316,379.69	Collection	Eligible	System
PLANT UPGRADE (IN PROCESS)	$100,000.00	Treatment	Eligible	System
LINE FROM SDDLEBRK TO TURF FARM	$97,136.75	Collection	Eligible	System
LINE 800 E 700 S	$24,364.37	Collection	Eligible	System
TV TRUCK	$113,500.00	Collection	Not Eligible	System
400 NORTH MAIN LINE	$24,363.14	Collection	Eligible	System
99-00 SEWER LINE IMPROVEMENTS	$150,361.86	Collection	Eligible	System
SEWER IMPROVEMENTS	$98,538.31	Collection	Eligible	System
LINE EXTENSION	$7,539.97	Collection	Eligible	System
UPSIZE FOR SPRING LAKE ELEM	$83,377.44	Collection	Eligible	System
WATER MAIN FOR PATTERSON DEV.	$5,900.00	Collection	Not Eligible	Project
24" Collection mains	$134,400.00	Collection	Eligible	System
18" Collection mains	$136,800.00	Collection	Eligible	System
15" collection mains	$83,200.00	Collection	Eligible	System
Trickling Filter Plant	$1,677,000.00	Treatment	Eligible	System
12" Collection mains	$67,200.00	Collection	Eligible	System
10" Collection mains	$115,200.00	Collection	Eligible	System
8" Collection mains	$1,096,000.00	Collection	Eligible	System
6" Collection mains	$432,000.00	Collection	Not Eligible	Project
New Sewer Line	$53,549.00	Collection	Eligible	System
Sewer Plant Improvements	$176,674.00	Treatment	Eligible	System
Sewer Plant Improvements	$14,400.00	Treatment	Eligible	System
Sewer System	$124,587.00	Treatment	Eligible	System
Manual System	$3,000,000.00	Treatment	Eligible	System
Grit Chamber	$24,625.00	Treatment	Eligible	System
Industrial Sewer Line	$823,221.70	Collection	Eligible	System
Manholes	$544,350.00	Collection	Eligible	System
PLANT UPGRADE	$6,424,742.70	Treatment	Eligible	System
SYSTEM IMPROVEMENTS	$976,049.84	Collection	Eligible	System
GREENRIDGE PLT D CONTRIBUTION	$32,700.75	Collection	Not Eligible	Project
ZEEMAN PLT B PS1 CONTRIBUTION	$13,699.39	Collection	Not Eligible	Project
PAYSON FARMS PLT H IMPROVEMEN	$56,958.00	Collection	Not Eligible	Project
CHURCH MEADOWS SUBDIVISION	$44,418.00	Collection	Not Eligible	Project
RE-USE STATION	$440,619.81	Treatment	Eligible	System
IMPROVEMENTS	$10,000.00	Collection	Eligible	System
CANYON WAY	$199,037.50	Collection	Eligible	System
HIDDEN HILLS	$24,020.00	Collection	Not Eligible	Project
BK HEIGHTS	$8,050.00	Collection	Not Eligible	Project
SAND FILTER IMPROVEMENTS	$18,692.80	Treatment	Eligible	System
HEADWORKS IMPROVEMENTS	$19,547.58	Treatment	Eligible	System
EAST SIDE SEWER LINE	$1,462,020.89	Collection	Eligible	System
WINEGAR PLAT B CONTRIBUTION	$63,549.70	Collection	Not Eligible	Project
WINEGAR A CONTRIBUTIONS	$59,187.00	Collection	Not Eligible	Project
HIDDEN GROVE CONTRIBUTIONS	$64,800.00	Collection	Not Eligible	Project
HIDDEN HILLS CONTRIBUTIONS	$24,020.00	Collection	Not Eligible	Project
HIDDEN GROVE CONTRIBUTIONS	$76,514.00	Collection	Not Eligible	Project
CAROL SUB S&W IMPROVEMENTS	$6,800.00	Collection	Not Eligible	Project
STONEY CREEK DEV	$5,280.00	Collection	Not Eligible	Project
PHIL KOBER 400 N SUBDIVISION	$2,249.67	Collection	Not Eligible	Project
WINEGAR EST A&B	$47,637.00	Collection	Not Eligible	Project

WINEGAR EST A&B SEWER	$54,800.00	Collection	Not Eligible	Project
HERITAGE VILLAGE #1 SEWER	$77,762.00	Collection	Not Eligible	Project
E SIDE SEWER LINE PROJ IMP	$1,188,536.15	Collection	Eligible	System
SUMP PUMP POWELL SUBDIVISION	$2,600.00	Collection	Not Eligible	Project
SEWER IMP JESSICA'S RANCH PROJ	$30,140.00	Collection	Not Eligible	Project
EAST SIDE SEWER LINE IMP	$200,000.00	Collection	Eligible	System
SPRINGSIDE MEADOWS SEWER	$38,673.60	Collection	Not Eligible	Project
MOUNTAIN VIEW CHAPEL SEWER	$15,650.00	Collection	Not Eligible	Project
APEX STORAGE SEWER	$41,630.00	Collection	Not Eligible	Project
DEWATERING SYSTEM	$635,612.00	Treatment	Eligible	System
SPRINGSIDE MEADOWS PLAT A SEW	$118,853.76	Collection	Not Eligible	Project
HASKELL SEWER EXTENSION	$8,815.17	Collection	Not Eligible	Project
780 WEST PROJECT	$59,341.03	Collection	Eligible	System
RIDGE LANE SEWER SLIP LINE	$242,017.00	Collection	Eligible	System
Springside Meadows Sewer Line	$60,000.00	Collection	Not Eligible	Project
IHOP 4" Sewer Lateral Developer Contri	$1,150.00	Collection	Not Eligible	Project
Q90 SEWER TIE-IN DEVELOPER CON	$2,500.00	Collection	Not Eligible	Project
316 Place Sewer Laterla Developer Cont	$7,410.00	Collection	Not Eligible	Project
Grandview Sewer Line	$14,300.00	Collection	Eligible	System
Nebo Gateway Sewer Line Developer Co	$36,290.00	Collection	Not Eligible	Project
Ashlee Ridge Sewer Line Developer Con	$109,000.00	Collection	Not Eligible	Project
700 E Manhole	$5,950.00	Collection	Not Eligible	System
Crack Seal and Pave Sewer Road	$21,235.00	Treatment	Not Eligible	System
800 W Manhole	$7,992.66	Collection	Not Eligible	System
700 S 1st-6th W Line Reconstruct	$559,417.55	Collection	Not Eligible	System
West Outfall Manhole Covers	$15,005.00	Collection	Not Eligible	System
Arrowhead Upsize	$32,585.00	Collection	Eligible	System
Spring Creek Sewer Line	$6,350.00	Collection	Not Eligible	Project
Spring Creek Townhomes Sewer Dev Co	$196,420.00	Collection	Not Eligible	Project
Emergency Zone Sewer Dev Contrib	$22,390.00	Collection	Not Eligible	Project
Michael Watson Subdiv Plat A Sewer De	$5,000.00	Collection	Not Eligible	Project
Michael Watson Subdiv Plat B Sewer De	$2,530.00	Collection	Not Eligible	Project
Draper Subdivision Sewer Dev Contrib	$3,750.00	Collection	Not Eligible	Project
Springside Meadows Subdiv Plat F Sewe	$35,699.75	Collection	Not Eligible	Project
Springside Meadows Subdiv Plat N Sewe	$87,130.50	Collection	Not Eligible	Project
Springside Meadows Subdiv Plat L Sewe	$5,450.00	Collection	Not Eligible	Project
Springside Meadows Subdiv Plat I Sewe	$81,137.50	Collection	Not Eligible	Project
Springside Meadows Subdiv Plat J Sewe	$95,995.00	Collection	Not Eligible	Project
Springside Meadows Subdiv Plat H Sewe	$50,873.75	Collection	Not Eligible	Project
Springside Meadows Subdiv Plat G Sewe	$70,560.00	Collection	Not Eligible	Project
Sterline Grove Phase 3 & 4 Sewer Dev C	$39,395.90	Collection	Not Eligible	Project
Springside Meadows Subdiv Plat D	$84,057.00	Collection	Not Eligible	Project
Depot Apartment Sewer Dev Contrib	$61,200.00	Collection	Not Eligible	Project
Heritage Village Subdiv Plat E Sewer De	$57,607.00	Collection	Not Eligible	Project
Arrowhead Park Phase 1 Sewer Dev Co	$251,123.00	Collection	Not Eligible	Project
Arrowhead Park Phase 2 Sewer Dev Co	$103,258.00	Collection	Not Eligible	Project
Arrowhead Park Phase 3 Sewer Dev Co	$18,218.00	Collection	Not Eligible	Project
930 West Sewer	$101,850.00	Collection	Eligible	System
LAND	$84,481.70	Treatment	Eligible	System
Sewer Treatment	$73,000.00	Treatment	Eligible	System
Land Purchased Hill Family	$10,000.00	Treatment	Eligible	System
Payson City Lift Station (City Portion)	$362,730.68	Lift Station	Eligible	System

Payson City Lift Station (Developer Portion)	$60,000.00	Lift Station	Not Eligible	Project
South Haven Development (City Portion)	$310,987.00	Collection	Eligible	System
Eligible Collection System Cost	$8,665,905.64			
Eligible Treatment Cost	$12,823,982.59			
Eligible Lift Station Cost	$362,730.68			



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